

# **National Defense Industrial Association**

## **18<sup>th</sup> Annual DoD Logistics Conference**

***Achieving Excellence In Global Value Chain Integration***



**Presented by:**

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**Logistics Operations**

**Defense Logistics Agency**

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# Outline

- **We Are A Logistics Combat Support Agency**
- **Our Logistics Vision For The Future**
- **Logistics Initiatives Supporting Our Vision**

# **What We Do**

## **As A National Logistics Provider**

- **24K Personnel, military and civilian**
- **Inventory Management:**
  - 4.5 million items - \$15.9 billion sales**
- **All Major Warfighter Materiel Needs:**
  - fuel, subsistence, clothing,**
  - medical, weapon system repair**
  - parts**
- **DoD Distribution**
- **Disposal Services**
- **Multiple Supply Chains**

- **90% of Repair Parts**
  - **100% of Fuel and Package Petroleum**
    - **100% of Clothing/Food/Medical**
    - **83% of All Requisitions**

***Ensuring the Combat Readiness & Sustainment of the  
Military Services & Warfighting Commanders-in-Chiefs***

# How We Add Value

**Integral Part  
Of the Warfighting  
Team**



**WITH DLA**

**Supply Chain  
Management**

- 90% of Repair Parts
  - 100% of Fuel and Package Petroleum
  - 100% of Clothing/Food/Medical
  - 83% of All Requisitions

- Materiel Acquisition, Management, Storage, & Distribution
- Excess Materiel Reuse, Transfer, & Disposal
- DoD Electronic Business Gateway
- Energy Management
- E-Commerce
- Logistics Information Management
- Document Automation & Production
- National Stockpile Storage & Management
- Joint Program Management



**WITHOUT DLA**

**We Provide Products & Logistics Services to the  
Military Services & Warfighting Commanders-in-Chief . . .  
Around the Clock, Around the World**

# DLA Support To Enduring Freedom



<b>Distribution:</b>	<b>243, 499 Items Shipped, 14,793 Short Tons ..... \$2.2B Dollar Value</b>
<b>Humanitarian:</b>	<b>2.4M lbs Of Wheat, 3.75M HDR Meals, 150K Blankets ... \$18M</b>
<b>Troop Support:</b>	<b>Meals For 66, 194 Troops, \$15.2M Cold Weather Gear .... \$17.9M Total</b>
<b>Fuel:</b>	<b>Class III 267M US Gallons Surge In Bulk Fuel (In Theater)</b>
<b>Requisitions:</b>	<b>234, 535 Requisitions Valued At 275M</b>
<b>Other:</b>	<b>OEF Philippines Operation X-Ray FMS Jordan</b>

# *The OSD-DLA Logistics*

## *Vision Link*

### AT&L Goals

- Achieve credibility and effectiveness in the acquisition and logistics support process
- Revitalize & Professionalize the DoD Acquisition, Technology, and Logistics workforce
- Improving the health of the defense industrial base
- Rationalize our weapons systems and infrastructure to the evolving defense strategy
- Initiate those high technologies that really form the basis for the future—both in terms of capabilities and strategy.
- Provide an architecture for the Future Logistics Enterprise



### DLA Initiatives

National Inventory Management  
Optimizing the Distribution System  
Managing by Customer

Focus Hiring on College Graduates  
Enhance & Expand Training/  
Developmental Opportunities

Competitive Sourcing  
Commercial Joint Ventures  
Outsourcing (A76)

Strategic Material Sourcing  
Integrated Data Environment  
Adopt Commercial Best Practices  
Strategic Supplier Alliances

Business System Modernization  
End-to-End Distribution

Total Life Cycle Systems Mgmt  
Enterprise Integration

# What Will We Do Differently?

## Our Current Practice

- **Functional Requirements**
- **Manager Of “Supplies”**
- **Mobilize Via Inventory**
- **Instantaneous Buys**
- **Stove Piped Systems**
- **“Build” Software**

## Our Vision

- **Outcome Oriented**
- **Manager Of “Suppliers”**
- **Mobilize Via Industry**
- **Long Term Partnerships**
- **Open, Secure Architecture**
- **“Buy/Assemble” Software**

# **National Inventory Management Strategy**

## **Product Support To Pierside, Planeside, Foxhole**

### **A Tailored Approach To Meet Customer Requirements**

- Combines Service And DLA Inventory, Eliminates Redundancy And Lowers DoD's Total Inventory Investment**
- Moves DLA Point Of Sale As Far Forward As Customer Allows**

***Stock Location/Inventory Investment Decisions  
Are Driven By Transportation Capabilities  
To Meet Customer Wait Times***

#### **NIMS Sites**

**Defense Depot Yokosuka, Japan**

**Defense Depot Pearl Harbor, Hawaii**

**NAS Sigonella, Camp Lejune**

**Ft. Riley & NAS LeMoore**



# Strategic Materiel Sourcing

## Strategic Supplier Alliances

**From**

Reliance on inventories

Management of parts

Managing separate processes

**To**

Reliance on Industry

Management of Relationships

Integrating supply chains

-Boeing Surge And  
Sustainment Contract  
-Industrial Prime Vendors  
For Naval Aviation Depots  
-C5 Virtual Prime Vendor  
For Warner-Robbins

Prime Vendor for  
Food and  
Medical Supplies

### **Business Philosophy**

- Buy Commercial Supply Chains Where They Exist
- Build “Virtual” Chains Where The Pieces Exist
- Retool Acquisitions Consistent With The Vendor Base
- Integrate With Organic Chains Where It Makes Sense

# Contract Benefits

<b>Standard Long Term Contract</b>	<b>Corporate Contract</b>	<b>Prime Vendor Virtual Prime Vendor</b>	<b>Strategic Supplier Alliance</b>
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**Reduced administrative lead time (ALT) and costs**

**Reduced production lead time (PLT) and inventory**

**Reduced DLA infrastructure costs**

**Time and resources required to put the  
contract in place**



# Strategic Supplier Alliance Process

- **Initial SSA Contract Award**
  - **Institutes standardized framework**
    - Common terms and conditions
    - Establishes pricing methodology
    - Deviations and waivers in place

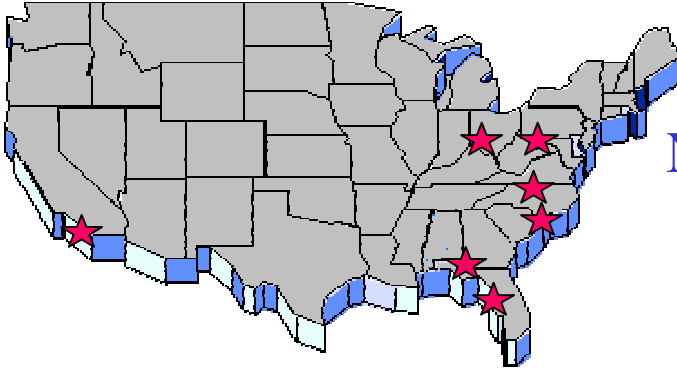
## **Sets The Precedent For Add-Ons**

- Number of NSNs may be small
- Subsequent additions faster
- Primarily a pricing exercise

# SSA Awards

- **Honeywell**
  - Initial SSA award June 2000
    - 34 NSN's
    - 1100 under contract; 3000 more in FY 02
- **BAE Systems**
  - Initial SSA award Dec 2001
    - 20 NSN's
    - Next phase 134 NSN's;

# Sourcing (A-76)



**Net Projected Savings (FY 03-07)– \$373.5M**

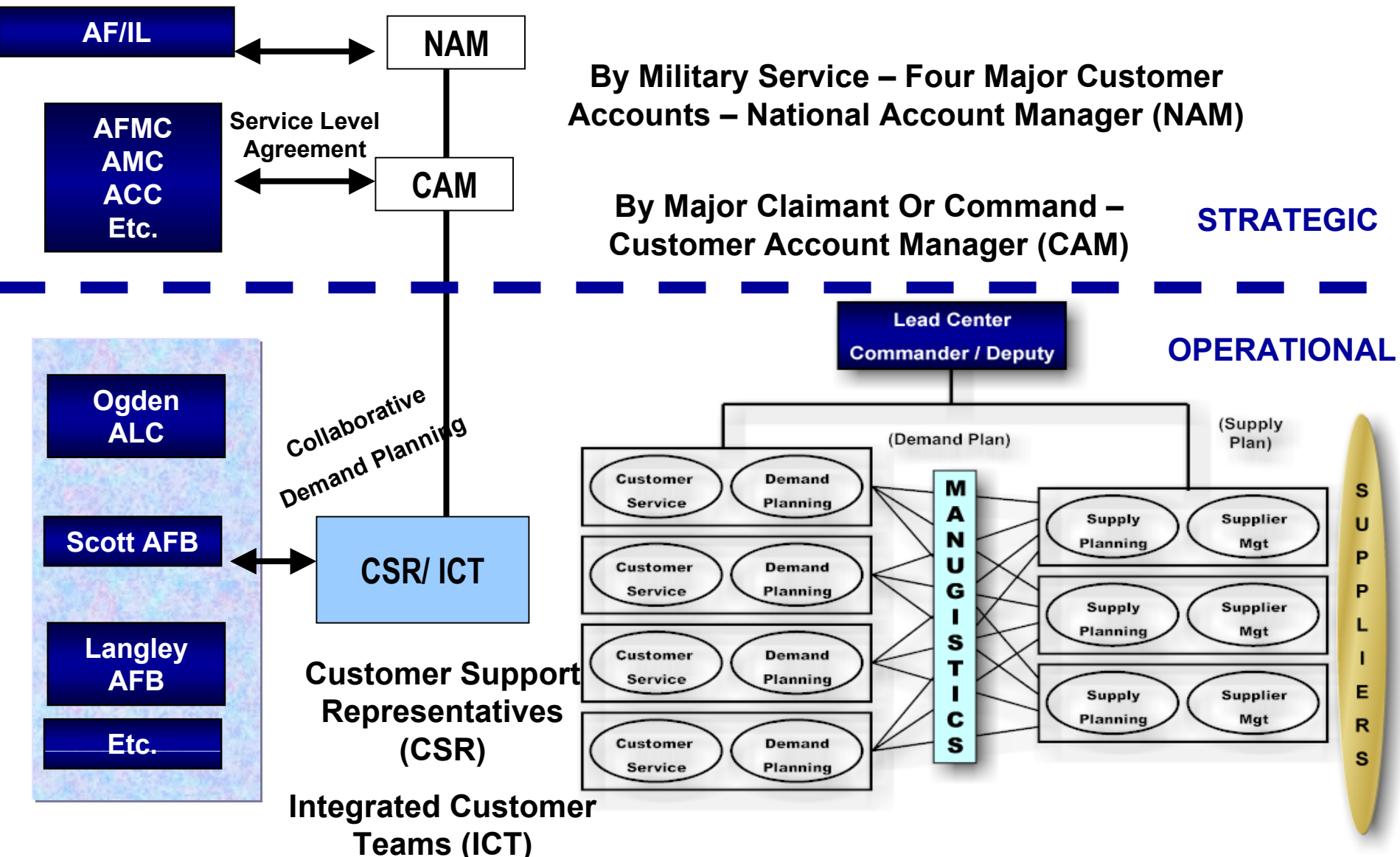
**Aggregate Savings To Date: 30%**

Facility	Human Capital*	Winning Activity	Net Savings First Five Years**	Net Savings (%)
Barstow, CA	170 FTE	EG&G	\$8.1M	31%
Columbus, OH	55 FTE	Gov't MEO	\$0.6M	7%
Jacksonville, FL	152 FTE	MANCON	\$6.9M	21%
NE DRMS	100 FTE	RCI	\$1.0M	5%
Cherry Point, NC	131 FTE	Labat-Anderson	\$4.1M	19%
Warner Robins, GA	647 FTE	EG&G	\$54M	44%
Richmond, VA	532 FTE	Gov't MEO	\$9.2M	25%
Albany, GA	165 FTE	Gov't MEO	\$2.8M	15%

**\*Full Time Equivalents (FTE) on board at time of announcement**

**\*\*Net Savings: Savings Less Cost of Study and FTE Separation**

# Customer Relations Management CRM)



# The Bottom Line

- **Significant Savings Returned To The Warfighter**
  - Adopting Commercial Best Practices
  - Strategic Material Sourcing
  - Business Re-Engineering
  - Enterprise Integration
  - Sourcing (A76)
- **Lowest Cost Recovery Rate In DLA History**
- **Smallest DLA Since 1963 Despite Increased Mission**
  - Beat Overall End Strength Targets by 11%

***“This Is Not Your Father’s DLA”***